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07 UNITED STATES DISTRICT COURT
08 WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

09 PROPET USA, INC.,) CASE NO. C06-0186-MAT
10 Plaintiff,)
11 v.) ORDER DENYING PLAINTIFF'S
12 LLOYD SHUGART,) MOTION FOR REMITTER AND
13 Defendant.) RULING ON EQUITABLE
DEFENSES
14

15 INTRODUCTION

16 Plaintiff filed a Motion for Remitter and Ruling on Equitable Defenses. (Dkt. 138.)
17 Defendant objects to the motion. (Dkt. 140.) Now, having considered the papers filed in support
18 and in opposition, along with the remainder of the record, the Court hereby DENIES plaintiff's
19 motion.

20 DISCUSSION

21 On September 27, 2007, a jury found in defendant's favor on his three counterclaims –
22 copyright infringement, violation of the Digital Millennium Copyright Act (DMCA), and

01 stolen/lost photos. (Dkt. 136.) Plaintiff now seeks a ruling on its equitable defenses – waiver,
02 estoppel, and unjust enrichment – and requests that damages be remitted in whole or in part.¹

03 “Waiver is the intentional relinquishment of a known right with knowledge of its existence
04 and the intent to relinquish it.” *CBS, Inc. v. Merrick*, 716 F.2d 1292, 1295 (9th Cir. 1983). It
05 may occur through words or conduct. *Id.* In the context of copyright infringement, “waiver or
06 abandonment of copyright ‘occurs only if there is an intent by the copyright proprietor to
07 surrender rights in his work.’” *A & M Records Inc. v. Napster Inc.*, 239 F.3d 1004, 1026 (9th Cir.
08 2001) (quoting 4 Melville B. Nimmer & David Nimmer, NIMMER ON COPYRIGHT § 13.06 (2000)).
09 The abandonment “must be manifested by some overt act indicating an intention to abandon that
10 right.” *Micro Star v. Formgen, Inc.*, 154 F.3d 1107, 1114 (9th Cir. 1998). Estoppel requires
11 proof of four elements: “(1) The party to be estopped must know the facts; (2) he must intend that
12 his conduct shall be acted on or must so act that the party asserting the estoppel has a right to
13 believe it is so intended; (3) the latter must be ignorant of the true facts; and (4) he must rely on
14 the former’s conduct to his injury.” *Hampton v. Paramount Pictures Corp.*, 279 F.2d 100, 104
15 (9th Cir. 1960); accord NIMMER ON COPYRIGHT § 13.07. Finally, “[u]njust enrichment occurs
16 when one retains money or benefits which in justice and equity belong to another.” *Bailie*
17 *Commc’ns v. Trend Bus. Sys.*, 61 Wn. App. 151, 160, 810 P. 2d 12 (Wash. App. 1991).

18 The Court properly determines the merit of these equitable defenses. *See, e.g., Granite*
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20 ¹ Plaintiff refers generally to and defines the equitable defense of unclean hands. *See*
21 BLACKS’S LAW DICTIONARY 268 (8th ed. 2004) (“[A] party cannot seek equitable relief or assert
22 an equitable defense if that party has violated an equitable principle[.]”) However, because
plaintiff does not present a specific argument of unclean hands in relation to any of defendant’s
claims, the Court does not address any such defense herein.

01 *State Ins. Co. v. Smart Modular Techs., Inc.*, 76 F.3d 1023, 1027 (9th Cir. 1996) (“A litigant is
02 not entitled to have a jury resolve a disputed affirmative defense if the defense is equitable in
03 nature.”) For the reasons described below, the Court concludes that plaintiff fails to support its
04 entitlement to any of these defenses, or to otherwise support the remission of the damages
05 awarded either in whole or in part.

06 A. Copyright Infringement

07 Plaintiff first argues that the film delivery memo at issue in this case, and its two-year
08 license, is unenforceable based on the doctrines of equitable estoppel and waiver. To the extent
09 pertinent to defendant’s stolen/lost photos claim, plaintiff’s arguments are addressed below. The
10 Court here addresses the arguments specifically directed towards plaintiff’s copyright infringement
11 claim; that is, that defendant waived, or abandoned, his rights in his copyrights and should be
12 estopped from asserting copyright infringement, as well as that the statutory damages award for
13 copyright infringement constitutes unjust enrichment and should be remitted.

14 Plaintiff points to evidence that defendant’s copyright notices were not placed on his works
15 over a five-year period as sufficient to show that defendant abandoned his copyrights in those
16 works. Yet, as noted by defendant, a copyright notice need not be attached to a copyrighted
17 work. *See* 17 U.S.C. § 401(a) (“[A] notice of copyright as provided by this section *may* be placed
18 on publicly distributed copies from which the work can be visually perceived, either directly or
19 with the aid of a machine or device.”) (emphasis added). Nor does plaintiff otherwise point to
20 evidence of some overt act indicating defendant’s intention to abandon his copyrights. *See Micro*
21 *Star*, 154 F.3d at 1114.

22 Plaintiff similarly argues the appropriate application of estoppel given the absence of any

01 complaints from defendant as to the use of his images over a five-year period. Yet, given
02 defendant's testimony that he was not aware of any infringement until 2005, when he first objected
03 to improper use, and the absence of evidence contradicting that testimony, plaintiff's estoppel
04 argument necessarily fails. *See Hampton*, 279 F.2d at 104 (the party to be estopped must, first,
05 be shown to have known of the infringing conduct).

06 Finally, the Court finds no basis to support plaintiff's assertion of unjust enrichment and
07 its request for remittur. In support of this argument, plaintiff, first, essentially challenges the
08 sufficiency of the evidence to support defendant's claim and the resulting \$500,000 award for
09 statutory damages. Yet, this argument fails to present an equitable defense.

10 Plaintiff next asserts that there was no finding of willful infringement and points to its
11 assertion at trial that it believed it had an unlimited license to use the images. The Court notes that
12 the jury explicitly rejected the argument that plaintiff had an unlimited license to use the images.
13 (Dkt. 136 at 1.) Moreover, plaintiff fails at a fundamental level to demonstrate how the jury
14 award, based on a finding of copyright infringement, results in unjust enrichment – the retention
15 of “money or benefits which in justice and equity belong to another.” *Bailie Commc'ns*, 61 Wn.
16 App. at 160. In other words, without first demonstrating the viability of an equitable defense such
17 as waiver or estoppel, plaintiff cannot support its assertion of unjust enrichment.

18 Lastly, plaintiff points to the disparity between the actual damages award (\$12,800) and
19 the statutory damages award (\$500,000). It contends that statutory damages are intended to come
20 into play when the copyright owner cannot prove actual damages and that defendant should not
21 be entitled to elect a statutory damages award that far exceeds the amount the jury found would
22 return him to the status quo. *See NIMMER ON COPYRIGHT* § 14.04[E][1] (“The point is not that

statutory damages always need to fall beneath other measurements, but rather that they should be woven out of the same bolt of cloth as actual damages.”) While this argument finds support in the opinion of an author of a secondary source on copyright law and certain non-binding case law, *see id.*, it remains that, “[b]ecause awards of statutory damages serve both compensatory and punitive purposes, a plaintiff may recover statutory damages ‘whether or not there is adequate evidence of the actual damages suffered by plaintiff or of the profits reaped by defendant,’ in order “to sanction and vindicate the statutory policy” of discouraging infringement.” *Los Angeles News Serv. v. Reuters TV Int’l*, 149 F.3d 987, 996 (9th Cir. 1998) (internal citations to quoted sources omitted); *accord Columbia Pictures Indus. v. Krypton Broad. of Birmingham, Inc.*, 259 F.3d 1186, 1194 (9th Cir. 2001) (“A plaintiff may elect statutory damages ‘regardless of the adequacy of the evidence offered as to his actual damages[.]’”) (quoting NIMMER ON COPYRIGHT § 14.04[A]). Accordingly, the mere fact of the disparity between the two awards fails to justify any reduction in the damages awarded to defendant.

In sum, the Court find inadequate support for the equitable defenses here asserted by plaintiff with respect to defendant’s copyright infringement claim.

B. DMCA

The bulk of plaintiff’s arguments as to defendant’s DMCA claim assert the insufficiency of the evidence. However, again, this argument fails to present an equitable defense.² Nor do plaintiff’s remaining arguments withstand scrutiny. First, as with the copyright claim, there is no

² The Court also notes that plaintiff’s assertion that defendant failed to provide any evidence that his copyright information – such as “© Lloyd Shugart 2004” – was or realistically would have been displayed in plaintiff’s advertising literature appears to misunderstand the nature of plaintiff’s DMCA claim as relating to his digital images.

basis for concluding that the award of damages, based on a finding that plaintiff knowingly or intentionally removed copyright management information from defendant's images (Dkt. 136 at 2), constitutes unjust enrichment. Second, the Court notes that the jury also explicitly declined to find that plaintiff was unaware or had no reason to believe that its actions in removing the copyright management information was unlawful. (*Id.*) The Court, consequently, finds no basis for reducing the DMCA award pursuant to 17 U.S.C. § 1203(c)(5) (allowing reduction or remission of damages upon a finding "that the violator was not aware and had no reason to believe that its acts constituted a violation.") For all of these reasons, plaintiff fails to support the equitable defenses raised with respect to defendant's DMCA claim.

C. Stolen/lost Photos

In challenging defendant's stolen/lost photos claim, plaintiff first reiterates its arguments as to this claim raised in its motion for a directed verdict. The Court rejected these arguments at trial and declines to revisit them here.

Plaintiff next argues that defendant voluntarily and expressly waived his right to enforcement of the provision in the film delivery memo governing the return of film, pointing to defendant's testimony at trial. Plaintiff notes that, while the relevant film delivery memo provision called for the return of film within thirty days of receipt, defendant conceded at trial that he allowed plaintiff's former employee, Ken Johnson, to hold on to the film despite that provision. *See* Trial Transcript at 269-71 (Dkt. 147). However, as noted by defendant, he testified that he allowed Johnson to hold on to the film with Johnson's promise that the film would eventually be returned. *See id.* This testimony does not suffice to establish defendant's "intentional relinquishment" of his right to the return of the film. *CBS, Inc.*, 716 F.2d at 1295.

01 Nor does plaintiff support its defenses of estoppel or unjust enrichment with respect to this
02 claim. First, to the extent plaintiff purports to have relied on defendant's statement that Johnson
03 could hold on to the film, this statement, according to defendant's testimony, was qualified by
04 Johnson's promise as to the eventual return of the film. Second, once again, plaintiff fails to show
05 how the award of damages, based on the finding that plaintiff exceeded the scope of its license in
06 retaining or failing to return defendant's images, constitutes unjust enrichment.

07 Accordingly, as with the arguments discussed above, plaintiff fails to demonstrate the
08 appropriate application of any equitable defenses to defendant's stolen/lost photos claim.

09 CONCLUSION

10 For the reasons described above, the Court hereby DENIES plaintiff's Motion for Remitter
11 and Ruling on Equitable Defenses. The Clerk is directed to send copies of this Order to counsel
12 for plaintiff and defendant.

13 DATED this 24th day of October, 2007.

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16 Mary Alice Theiler
17 United States Magistrate Judge
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